

TARIFF ACTION MEMORANDUM

File No.: TA519-18

Date : May 7, 2020

Date Filed: March 31, 2020

Statutory End Date: May 15, 2020

Utility: Matanuska Electric Association, Inc.

Description: Quarterly COPA and SFPPR Update

Synopsis of Filing:

Matanuska Electric Association, Inc. submits its quarterly Cost of Power Adjustment and Small Facility Power Purchase Rate update for the period beginning April 1, 2020.

Tariff Recommendation:

The Commission should approve Tariff Sheet Nos. 92.2 and 107, filed March 31, 2020, by Matanuska Electric Association, Inc. with TA519-18, as shown on the attached side-by-side tariff sheets (JD-1). The effective date of the tariff sheets should be April 1, 2020.

Reason(s) for the above-indicated recommendation: See attached memorandum.

Signed: Jed Drolet
Jed Drolet

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	Date (if different from 5/7/2020)	<u>I CONCUR</u>	<u>I DO NOT CONCUR</u>	<u>I WILL WRITE A DISSENTING STATEMENT*</u>
Pickett		<u>RMP</u>		
McAlpine		<u>SM</u> SM		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JW</u> JW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA
The Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, Alaska 99501-3469

M E M O R A N D U M

To: Robert M. Pickett, Chairman
Stephen McAlpine
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: May 7, 2020

From: Jed Drolet, Utility Tariff Analyst

Subject: TA519-18, Matanuska Electric Association, Inc.
Quarterly COPA and SFPPR Update

STATEMENT OF CASE

Matanuska Electric Association, Inc. (MEA) submits its quarterly Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR) update for the period beginning April 1, 2020.

RECOMMENDATION

The Commission should approve Tariff Sheet Nos. 92.2 and 107, filed March 31, 2020, by MEA with TA519-18, as shown on the attached side-by-side tariff sheets (JD-1). The effective date of the tariff sheets should be April 1, 2020.

BACKGROUND

MEA is a member-owned cooperative providing electric service to approximately 66,200 customers in Southcentral Alaska.¹ MEA's electric load is met primarily through generation at the Eklutna Generation Station, as well as energy purchased from other sources,² and the related costs are recovered solely through MEA's COPA surcharge.³

¹ See tariff advice letter filed with TA519-18, at page 3.

² MEA also receives power from (1) Bradley Lake Hydroelectric (Bradley Lake) for which MEA holds a 13.8% share, (2) Eklutna Hydroelectric (Eklutna) for which MEA holds a 16.7% share, (3) Enerdyne, LLC (Enerdyne) for purchases made under MEA's Schedule No. QF-1 SFPPR (See MEA Tariff Sheet No. 106), (4) South Fork Hydro (SFH), for purchases made under its 30-year contract (See Letter Order No. L1100564, issued October 28, 2011 in TA407-18) and (5) inter-utility purchases from Chugach Electric Association, Inc., Municipal Light and Power, and Golden Valley Electric Association, Inc. (See Letter Order L1500226, issued April 20, 2015 in TA451-18).

³ See Order No. U-15-078(2), at page 8.

MEA now submits its quarterly COPA and SFPPR update for the period beginning April 1, 2020. In accordance with historic Commission practice,⁴ a publication notice was not issued for TA519-18.

ANALYSIS

COPA

Proposed revisions to the COPA surcharge are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period, and support for projections for the future period.⁵ Calculation of the COPA consists of two parts. The first part includes a 3-month estimate of kWh sales, power costs, and revenue offsets. MEA submitted supporting documentation for the projected period of April through June 2020. The second part includes documentation supporting the actual balancing account entries for October through December 2019, and MEA's estimated balancing account balance for March 31, 2020. MEA provided actual usage, generation, costs, and sales data for the period of October through December 2019, including invoices and spreadsheets supporting the balancing account entries.

Balancing Account Balance Adjustment

3 AAC 52.504(i) provides that an electric utility may request the correction or adjustment of actual entries in the COPA balancing account for a one year period. The utility must describe, quantify, and justify each proposed adjustment. With TA519-18, MEA proposed one adjustment.

MEA proposes an adjustment of (\$42,030.95) in December 2019 for its portion of the surplus of revenues from the Alaska Intertie. MEA provided a copy of the surplus calculation with a copy of the check from AEA.⁶ The Alaska Intertie Surplus Refund is an annual refund that trues up the difference between revenues and expenditures in accordance with section 7.4.4 and 7.4.5 of the Intertie Operating Agreement. The surplus is allocated to the electric companies which contribute to the intertie's operating budget in proportion to the total dollar amount paid by all parties for the use of the intertie and has been passed through MEA's COPA balancing account in previous filings.⁷ The effect of the adjustment is downward pressure on the actual balancing account balance. Staff reviewed the support provided by MEA and believes the adjustment has been justified and supported. Therefore, Staff recommends the Commission allow the adjustment to MEA's balancing account balance.

⁴ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

⁵ See 3 AAC 52.504(g), *Filing Requirements for Electric Utilities*. This support includes invoices, records, reports, calculations, contracts and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

⁶ See support filed with TA519-18, at pages 159 through 161 of the pdf.

⁷ See TA484-18, filed March 31, 2017; TA468-18, filed March 31, 2016; TA495-18, filed March 30, 2018; and TA508-18, filed March 29, 2019.

COPA Surcharge Decrease (Tariff Sheet 92.2)

As shown on Tariff Sheet No. 92.2, filed with TA519-18, MEA proposes a COPA surcharge of \$0.06909/kWh. This represents a \$0.00019/kWh decrease from the currently approved COPA surcharge of \$0.06928/kWh.

Table 1 shows the effect of the proposed changes on a sample residential customer billing for 650 kWh usage.

Table 1

Sample Residential Customer Billing - 650/kWh Usage

Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	Cost of Power Adjustment	\$0.06928	\$0.06909	(0.00019)
650kWh Residential Customer Bill				
2	Facilities Charge	\$13.00	\$13.00	-
3	Energy @ \$0.12579/kWh	\$81.76	\$81.76	-
4	RCC @ 0.000593/kWh	\$0.39	\$0.39	-
5	COPA Surcharge	<u>\$45.03</u>	<u>\$44.91</u>	<u>(\$0.12)</u>
6	Total Customer Bill	\$140.18	\$140.06	(\$0.12)

Factors that may affect the calculation of MEA's COPA include the previous period's ending balancing account balance, projected power costs, and projected sales. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed decrease to MEA's COPA is primarily driven by:

- 1) A decrease in projected costs for the period. The projected fuel and transportation cost decreased from \$12,865,872 to \$10,643,629.⁸ The projected purchased power cost for the same period decreased from \$1,132,937 to \$1,090,083.⁹ This results in the total costs decreasing from \$13,998,829¹⁰ to \$11,733,712.¹¹ These decreased costs place downward pressure on the COPA surcharge.
- 2) An increase in the actual balancing account balance. The actual balancing account balance increased from (\$878,338) to (355,139),¹² indicating that fewer revenues were collected through the COPA surcharge than costs

⁸ See side-by-side MEA Tariff Sheet No. 92.2, attached with JD-1, at line no. 1.40

⁹ *Id.*, at line no. 2.20.

¹⁰ \$12,865,872 + \$1,132,937 = \$13,998,829.

¹¹ \$10,643,629 + \$1,090,083 = \$11,733,712.

¹² See side-by-side MEA Tariff Sheet No. 92.2, attached with JD-1, at line no. 3.10.

were incurred. The result of the increased actual balancing account is upward pressure on the estimated balancing account.

- 3) An increase in the estimated balancing account balance. The estimated balancing account balance increased from \$27,225 to \$81,702.¹³ The increase in the estimated balancing account balance places upward pressure on the COPA surcharge.
- 4) A decrease in projected retail kWh sales for the period. The projected retail kWh usage decreased from 202,438,000 kWh to 171,022,000 kWh.¹⁴ This decrease results in the projected costs¹⁵ being spread over a smaller number of kWh, placing upward pressure on the COPA surcharge.

The increase in the estimated balancing account balance and the decrease in projected kWh sales place upward pressure on the COPA surcharge; this is offset by the downward pressure from the decrease in projected fuel and purchased power costs. The overall effect is a decrease in MEA's COPA surcharge.

The revisions proposed in TA519-18 did not include a change in methodology or new cost element, and as such, MEA implemented the proposed surcharge on April 1, 2020, in accordance with 3 AAC 52.504(b).¹⁶ Staff has reviewed all information and calculations filed in support of TA519-18, confirmed that the proposed surcharge was calculated accurately using MEA's approved methodology, and that the tariff sheet is correct.¹⁷ Therefore, Staff recommends that the Commission approve Tariff Sheet No. 92.2.

SFPPR Decrease (Tariff Sheet No. 107)

As approved with TA469-18,¹⁸ MEA calculates its SFPPR by applying the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the COPA clause revision. This figure is derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter is used to convert the avoided fuel, transportation, and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation is then added to the variable operation and maintenance expense to produce the SFPPR.¹⁹

¹³ *Id.*, at line no. 3.20.

¹⁴ *Id.*, at line no. 1.50

¹⁵ The total projected costs include the balancing account balance.

¹⁶ See 3 AAC 52.504, *Filing Requirements for Electric Utilities*. 3 AAC 52.504(b) states "[a]n electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission. The COPA filing is subject to subsequent review, adjustment, and approval by the Commission."

¹⁷ Side-by-side tariff sheets attached as JD-1.

¹⁸ See Letter Order No. L1600266, issued May 27, 2016.

¹⁹ Side-by-side Tariff Sheet No. 107 attached as JD-1.

Additionally with TA469-18, the Commission approved MEA's request for a waiver of the 45-day statutory notice period for future SFPPR filings. This waiver was granted provided the SFPPR revisions were filed with MEA's regular COPA filings and contained no change to the approved SFPPR methodology.²⁰

MEA proposes an SFPPR of \$0.08098/kWh, an increase from the currently approved SFPPR, \$0.07985/kWh.²¹ Staff confirmed that the proposed SFPPR was calculated accurately, using MEA's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends that the Commission approve Tariff Sheet No. 107.

CONCLUSION

With TA519-18, MEA requests approval of its quarterly COPA and SFPPR update for the period beginning April 1, 2020. Staff has verified the proposed rate and surcharge were calculated accurately using MEA's approved methodologies, the proper support was filed, and the tariff sheets are correct. Therefore, Staff recommends the Commission approve Tariff Sheet Nos. 92.2 and 107, filed March 31, 2020, by MEA with TA519-18. The effective date of the tariff sheets should be April 1, 2020.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (May 7, 2020)

Email: stephen.mcalpine@alaska.gov

Signature: 

Email: antony.scott@alaska.gov

Signature: 
Dan Sullivan (May 7, 2020)

Email: daniel.sullivan@alaska.gov

Signature: 

Email: janis.wilson@alaska.gov

²⁰ See Letter Order No. L1600266, issued May 27, 2016.

²¹ MEA's SFPPR applies to QFs with nameplate capacity of 100 kW or less. See side-by-side Tariff Sheet No. 107, attached as JD-1.

RCA No. 18 139th Revised Sheet No. 92.2
Canceling
138th Revised Sheet No. 92.2

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MATANUSKA ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT
(Continued)

E. Determination of Cost of Power Adjustment

Estimated costs beginning January 1, 2020:

(1) Cost of Fuel			T
(1.10) EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)	\$12,099,810	R	
(1.11) Transportation Charges	\$581,473	R	
(1.20) EGS - Crowley Fuels LLC ULSD#2 Fuel (MEA-02D)	\$184,589	R	
(1.30) Reserved for Future Use	\$0		
(1.35) Short-term Purchases of Natural Gas	\$0		
(1.40) Total Cost of Fuel and Transportation	\$12,865,872	R	
(1.50) Projected Retail Sales (kWh)	202,438,000	I	
(1.60) Fuel Cost (per kWh)	\$0.06355	R	
(2) Cost of Purchased Power			
(2.10) Bradley Lake Purchases	\$804,339	I	
(2.11a) Inter-utility Sales	\$0		
(2.11b) Inter-utility Purchases	\$0		
(2.12) Other Purchases	\$0		
(2.13) Spinning Reserve Purchases	\$0		
(2.14) Wheeling Charges	\$328,598	I	
(2.15) Independent Power Producer Energy Purchases	\$0		
(2.20) Total Cost of Purchased Power	\$1,132,937	I	
(2.30) Projected Retail Sales (kWh)	202,438,000	I	
(2.40) Purchased Power Cost (per kWh)	\$0.00560	I	
(3) Cost of Power Balance Account			
(3.10) Actual Balance as of September 30, 2019	(\$878,338)	T, R	
(3.20) Estimated Balance as of December 31, 2019	\$27,225	T, I	
(3.30) Balancing Account Estimate to be Recovered	\$27,225	I	
(3.40) Projected Retail Sales (kWh)	202,438,000	I	
(3.50) Balancing Account Estimate (per kWh)	\$0.00013	I	
(4) Total Cost of Power to be Recovered:			
(4.10) Fuel Cost (per kWh)	\$0.06355	R	
(4.20) Purchased Power Cost (per kWh)	\$0.00560	I	
(4.30) Balancing Account Estimate (per kWh)	\$0.00013	I	
(4.40) Cost to be Recovered (per kWh)	\$0.06928	R	
(5) Base Cost of Power			
(5.10) Base Cost of Power (per kWh)	\$0		
(6) Cost of Power Adjustment			
(6.10) Line (4.40) Minus Line (5.10), (per kWh)	\$0.06928	R	

Tariff Advice No. 515-18 Effective January 1, 2020

Issued by: **MATANUSKA ELECTRIC ASSOCIATION, INC.**

By: Anthony M. Izzo Title: Chief Executive Officer

RCA No. 18 140th Revised Sheet No. 92.2
Canceling
139th Revised Sheet No. 92.2



MATANUSKA ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT
(Continued)

E. Determination of Cost of Power Adjustment

Estimated costs beginning April 1, 2020:

(1) Cost of Fuel			T
(1.10) EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)	\$9,965,871	R	
(1.11) Transportation Charges	\$528,523	R	
(1.20) EGS - Crowley Fuels LLC ULSD#2 Fuel (MEA-02D)	\$149,235	R	
(1.30) Reserved for Future Use	\$0		
(1.35) Short-term Purchases of Natural Gas	\$0		
(1.40) Total Cost of Fuel and Transportation	\$10,643,629	R	
(1.50) Projected Retail Sales (kWh)	171,022,000	R	
(1.60) Fuel Cost (per kWh)	\$0.06224	R	
(2) Cost of Purchased Power			
(2.10) Bradley Lake Purchases	\$793,989	R	
(2.11a) Inter-utility Sales	\$0		
(2.11b) Inter-utility Purchases	\$0		
(2.12) Other Purchases	\$0		
(2.13) Spinning Reserve Purchases	\$0		
(2.14) Wheeling Charges	\$296,094	R	
(2.15) Independent Power Producer Energy Purchases	\$0		
(2.20) Total Cost of Purchased Power	\$1,090,083	R	
(2.30) Projected Retail Sales (kWh)	171,022,000	R	
(2.40) Purchased Power Cost (per kWh)	\$0.00637	I	
(3) Cost of Power Balance Account			
(3.10) Actual Balance as of December 31, 2019	(\$355,139)	T, I	
(3.20) Estimated Balance as of March 31, 2019	\$81,702	T, I	
(3.30) Balancing Account Estimate to be Recovered	\$81,702	I	
(3.40) Projected Retail Sales (kWh)	171,022,000	R	
(3.50) Balancing Account Estimate (per kWh)	\$0.00048	I	
(4) Total Cost of Power to be Recovered:			
(4.10) Fuel Cost (per kWh)	\$0.06224	R	
(4.20) Purchased Power Cost (per kWh)	\$0.00637	I	
(4.30) Balancing Account Estimate (per kWh)	\$0.00048	I	
(4.40) Cost to be Recovered (per kWh)	\$0.06909	R	
(5) Base Cost of Power			
(5.10) Base Cost of Power (per kWh)	\$0		
(6) Cost of Power Adjustment			
(6.10) Line (4.40) Minus Line (5.10), (per kWh)	\$0.06909	R	

Tariff Advice No. 519-18 Effective April 1, 2020

Issued by: **MATANUSKA ELECTRIC ASSOCIATION, INC.**

By: Anthony M. Izzo Title: Chief Executive Officer

RCA 18 48th Revised Sheet No. 107
 Canceling
 47th Revised Sheet No. 107
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 REGULATORY COMMISSION OF ALASKA

MATANUSKA ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1

GENERAL RULES AND PURCHASE AND SALE RATES FOR QUALIFYING FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS (Continued)

RATES (Continued)

The method of determining the Small Facility Power Purchase Rate follows:

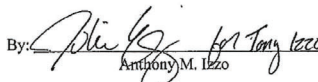
The Association will apply the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the Cost of Power Adjustment clause revision. This figure will be derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter will be used to convert the avoided fuel, transportation and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation will then be added to the variable operation and maintenance expense to produce the Small Facility Power Purchase Rate.

All costs and kilowatt-hours generated or sold are from historical activity from the quarter used to project costs and sales in the Cost of Power Adjustment clause revision.

A. Total Cost of Fuel and Transportation	\$ 12,501,189	I
B. Cost of Inter-Utility Purchases	\$ 113,511	R
C. Generation from EGS (kWh)	172,847,705	I
D. Inter-Utility Purchases (kWh)	10,354,000	R
E. Total Generation and Purchases from All Sources (kWh)	202,735,701	I
F. Ratio of EGS Generation and Inter-Utility Purchases to Total Generation and Purchases from All Sources (C + D) / E	90.4%	I
G. Total System Sales (kWh)	192,291,176	I
H. Avoided Fuel, Transportation & Purchases (\$/kWh) (A + B) / (F x G)	7.260 \$/kWh	I
I. Avoided Variable O&M (\$/kWh)	0.725 \$/kWh	R
J. Small Facility Power Purchase Rate H + I	7.985 \$/kWh	R

Tariff Advice No 515-18 Effective: January 1, 2020

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By:  Title: Chief Executive Officer

RCA 18 49th Revised Sheet No. 107
 Canceling
 48th Revised Sheet No. 107

MATANUSKA ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1

GENERAL RULES AND PURCHASE AND SALE RATES FOR QUALIFYING FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS (Continued)

RATES (Continued)

The method of determining the Small Facility Power Purchase Rate follows:

The Association will apply the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the Cost of Power Adjustment clause revision. This figure will be derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter will be used to convert the avoided fuel, transportation and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation will then be added to the variable operation and maintenance expense to produce the Small Facility Power Purchase Rate.

All costs and kilowatt-hours generated or sold are from historical activity from the quarter used to project costs and sales in the Cost of Power Adjustment clause revision.

A. Total Cost of Fuel and Transportation	\$ 14,215,928	I
B. Cost of Inter-Utility Purchases	\$ 175,183	I
C. Generation from EGS (kWh)	203,808,119	I
D. Inter-Utility Purchases (kWh)	10,962,000	I
E. Total Generation and Purchases from All Sources (kWh)	227,477,972	I
F. Ratio of EGS Generation and Inter-Utility Purchases to Total Generation and Purchases from All Sources (C + D) / E	94.4%	I
G. Total System Sales (kWh)	208,326,641	I
H. Avoided Fuel, Transportation & Purchases (\$/kWh) (A + B) / (F x G)	7.317 \$/kWh	I
I. Avoided Variable O&M (\$/kWh)	0.781 \$/kWh	I
J. Small Facility Power Purchase Rate H + I	8.098 \$/kWh	I

Tariff Advice No 519-18 Effective: April 1, 2020

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By:  Title: Chief Executive Officer

